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THE

Livestock and Meat

SITUATION

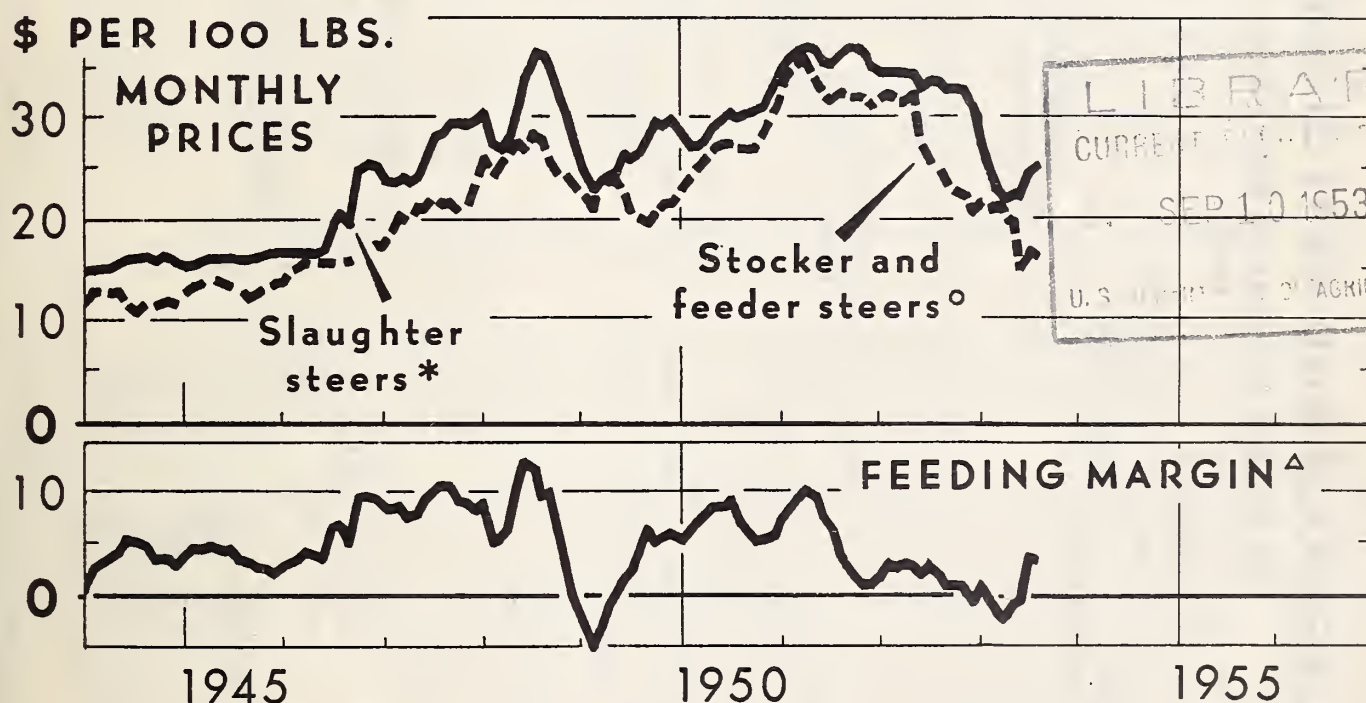
BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE

LMS-67

BAC

AUGUST-SEPTEMBER 1953

MARKET PRICES AND FEEDING MARGIN FOR CATTLE



* CHOICE GRADE AT CHICAGO

° AVERAGE OF ALL GRADES AT KANSAS CITY

^ DIFFERENCE BETWEEN PRICES OF SLAUGHTER STEERS AND PRICES
OF STOCKERS AND FEEDERS 7 MONTHS EARLIER

U. S. DEPARTMENT OF AGRICULTURE

NEG. 47333-XX BUREAU OF AGRICULTURAL ECONOMICS

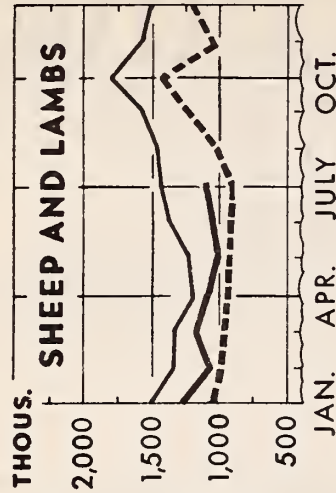
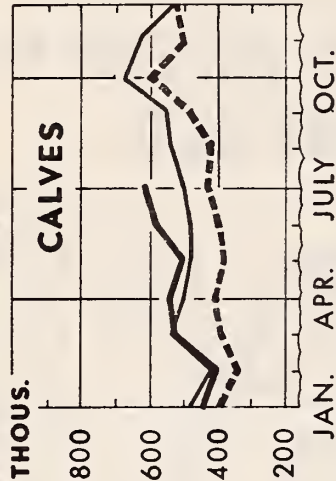
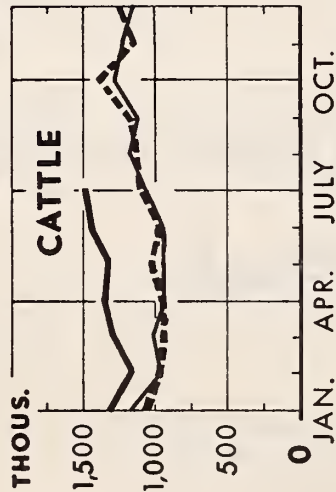
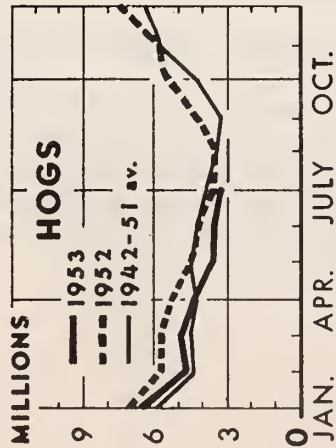
From December through June Choice fed steers were sold for less per pound than had been paid as feeders 7 months previously. This was the first time margins were negative since early 1949.

In July, when fed cattle prices turned upward, the feeding margin again became positive.

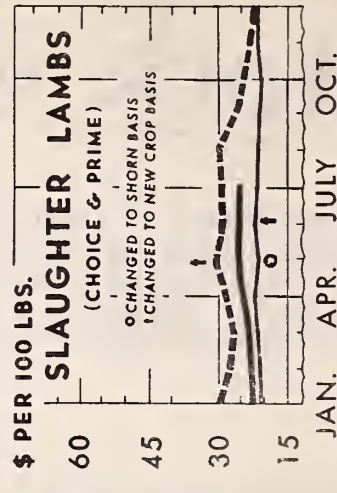
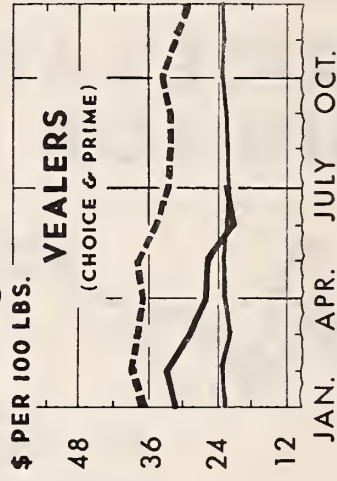
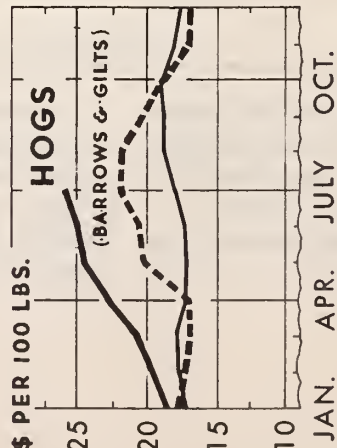
Prices of feeder cattle this fall are sharply lower than a year ago. As the supply of beef is expected to level out after this year, more stable prices for fed cattle and about average returns from feeding are in prospects provided demand for beef stays strong.

LIVESTOCK AND MEAT SITUATION

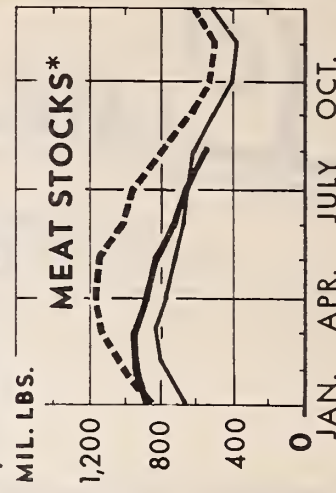
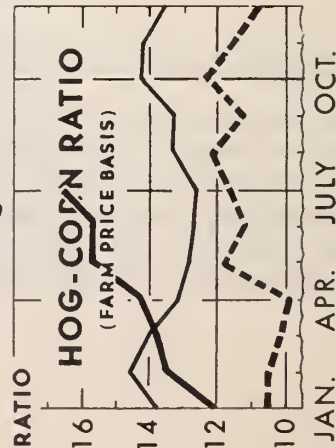
Federally Inspected Slaughter



Market Prices, Chicago



Hog-Corn Ratio, Meat Animal Marketings, Meat Production, & Stocks, United States



* BEEF, LAMB AND MUTTON, PORK, AND MISCELLANEOUS MEATS IN MEAT PACKING PLANTS AND COMMERCIAL COLD STORAGE HOUSES, BEGINNING OF MONTH

THE LIVESTOCK AND MEAT SITUATION

Approved by the Outlook and Situation Board, August 31, 1953

SUMMARY

Cattle continue to be slaughtered at a record rate. Beef consumption per person for 1953 will set a new high for 54 years of record. Total livestock slaughter and meat output is expected to be a peacetime record, exceeded only by two wartime years, and consumption of all meat per person will be the third largest for peacetime in the last 40 years.

Under pressure of heavy marketings prices of cattle have been reduced from their seasonal summer peaks. Prices of top grades have held up best while prices of lower grades have dropped to below an average relationship with them. Prices may retain about this relationship the rest of the year. Since fed cattle have been marketed at a faster rate than last year and feedlots refilled at a slower rate, supplies of slaughter cattle of top grades will probably decline to or below a year ago. Their prices may stay up well. As was the case last fall, prices of lower grades of cattle will be held low this fall by seasonally large supplies, and by a relatively weak demand for cattle to go on feed. In addition, the tendency of retail outlets to specialize in higher grades of beef narrows the demand for the lower grades of beef and of cattle.

The supply of all beef, fed and grass combined, will remain large but may not make a further seasonal increase.

Prices of hogs will decline seasonally but will likely be higher than last fall. The spring pig crop this year was 10 percent smaller than the 1952 spring crop and hog marketings will likewise be smaller.

Livestock marketings seem to reveal lack of confidence in the price outlook for livestock. Hogs have been rushed to market at light weight. Cattle weights also are off and demand is weak for feeder and breeding cattle and sheep. The attitude reflects the past year's price declines in cattle and current large slaughter volume. It may prove not fully justified; livestock producers often shift from over-optimism to over-pessimism, and may be doing so again. The meat supply is not expected to increase next year and may be smaller. Only in case of a serious business decline and weaker demand--not now in view--would prices a year hence repeat this year's downtrends for cattle or fail to be above average for hogs.

REVIEW AND OUTLOOK

Livestock Slaughter, Meat
Output Continue at
Peacetime Record Rate

The rate of livestock slaughter and output of meat has continued high this summer. The year 1953 will prove to be one of big supplies of meat.

Almost all the increase is in slaughter of cattle and calves and output of beef and veal. Slaughter of sheep and lambs so far this year has also been larger than a year earlier. Hog slaughter is smaller than in most recent years.

Commercial cattle slaughter in January-July totaled 12.7 million head, 32 percent above the 9.6 million in those months last year. Calf slaughter was up 30 percent. In August, according to weekly data for Federal inspection, the rate of slaughter has continued a third larger than last year. Cattle slaughter set a new high in each month for February through June.

For 1953 as a whole, output of beef and veal will likely be about 25 percent larger than last year. Production of lamb and mutton may be up about 7 percent. Pork output will total around 13 percent less than a year ago. Total red meat production, likely to top 24 billion pounds, will be 1 billion pounds or 4 percent greater than last year and a peacetime record.

Average consumption of beef per person will be 73 pounds or more and will set a new record. Last year's consumption was 61 pounds. Veal consumption is expected to be about 9 pounds compared with 7 pounds last year. Consumption of lamb and mutton, though up slightly, will still be at about 4 pounds, while that of pork will drop to about 62 pounds from 72 last year. For all red meat, the expected 148 pounds per person is up from 144 pounds last year and 136 pounds in 1951. It is the highest since 1947 and except for 1946 and 1947 is above any other peacetime year since 1911.

Large Meat Supplies Prevent any
Improvement in Livestock Prices

The continued abundance of meat supplies has prevented any improvement in prices of livestock except for seasonal changes. Prices of fed cattle have risen since spring, and prices of hogs moved up to a July high then declined somewhat, while prices of feeder cattle and calves have remained relatively low. Prices of sheep and lambs have eased a little lower since spring. At the same time the demand for meat has continued strong and has cushioned the sharp decline in cattle and sheep prices within the past year. Selective demand for pork is evident in the higher hog prices.

Compared with this time last year, prices for hogs are higher and prices for lambs are moderately lower. Prices for top grades of slaughter steers are considerably below a year ago, but the biggest difference from last year is in prices of feeder steers and other grass cattle which are 35 to 45 percent below this time last year.

Table 1.- Commercial meat production, United States, by
quarter-year, 1951 to first half 1953

All meat					
Year	January- March	April- June	July- September	October- December	Year
	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds
1951	5,181	4,699	4,692	5,647	20,219
1952	5,583	4,821	4,886	6,083	21,373
1953	5,765	5,433			
Beef					
1951	2,188	1,965	2,140	2,256	8,549
1952	2,216	2,143	2,420	2,558	9,337
1953	2,711	2,955			
Veal					
1951	220	216	271	265	972
1952	211	231	305	333	1,080
1953	268	338			
Lamb and mutton					
1951	131	109	127	141	508
1952	157	145	151	182	635
1953	187	161			
Pork excluding lard					
1951	2,642	2,409	2,154	2,985	10,190
1952	2,999	2,302	2,010	3,010	10,321
1953	2,599	1,979			

Hog Prices Due to Decline Seasonally

Marketings of spring pigs commenced earlier this year than last, with many hogs of less than 200 pounds sent to slaughter by August 1. The chances are that marketings will be spread a little more evenly over the season than either last year or the year before. Prices received by farmers may make no more than the usual seasonal decline from August-September to December. The total decline from the July high, however, may appear large.

In past years, prices received by farmers for hogs have declined an average of 18 percent from September to December. Declines have been greater than this in some years, less in others. Two years ago, for instance, producers marketed a smaller than usual proportion of the spring crop before January 1, holding more into the next year. Prices declined less than 18 percent from September to December but continued downward until April. Last year, marketings were heavier than usual before January 1 but the price decline was about normal.

Hog slaughter this fall and winter will be below last year because 10 percent fewer pigs were saved this spring than last. The reduction may be somewhat greater than 10 percent at mid-season, when marketings were bunched last year.

Hog prices are expected to stay above those for corresponding dates a year earlier.

Lamb Prices Favorable
Relative to Cattle Prices

Prices of slaughter lambs eased off only gradually through August. Some further seasonal decline is likely at the time of biggest marketings this fall, and prices will likely remain moderately below last year.

Lamb prices have not declined as much from last year as have cattle prices, and are in a more favorable relationship to cattle prices than in several years. A comparatively favorable position seems likely for some time to come.

The output of lamb is currently somewhat greater than last year but is small compared with earlier years. Moreover, it is expected to drop below last year's rate this fall or winter and to continue comparatively small for several years at least.

The beginning of the fall feeder lamb market at Omaha in August saw feeder prices 25 to 30 percent below last August. August prices of slaughter lambs were down less--about 20 percent. The relatively low prices for feeder lambs represent feeders' caution in buying. This may be a result of the low profits made in lamb feeding the last two winters, or may mean that feeders expect prices of slaughter lambs to decrease considerably before next December-March, when most fat lambs are sold.

The prospects for profits in lamb feeding turn on the same factors as those for cattle feeding (to be discussed later). So far as the general level of meat supply is concerned, it is not likely to increase much if at all and is not expected to be a further price depressing factor. If demand for meat continues high, as now seems likely, profits in lamb feeding, at present prices for feeder lambs, should be fairly good.

Fed Cattle Prices Likely to
Hold up this Fall, Grass
Cattle Prices to Stay Low

Two questions in the cattle outlook for this fall are: Will the cattle slaughter rate continue undiminished and hold down prices; and will slaughter and feeder demand sustain prices of grass cattle when marketings are at the fall high?

Numbers of fed cattle slaughtered will be decreasing seasonally this fall while slaughter of grass cattle will be increasing. Fed cattle have made up a large share of all cattle slaughtered to date in 1953. The glut of these cattle is about over. The number of cattle on feed at

the start of this year was 16 percent above a year earlier. By July 1 the increase was down to 8 percent in the Corn Belt and 4 to 5 percent in the United States as a whole. Since July 1, receipts of fed steers at 3 Corn Belt markets have averaged 7 percent above a year earlier, while fewer cattle than last year have been moving into Corn Belt feedlots. The number of cattle on feed will soon be about down to last year's number, and marketings also will likely drop to the rate of a year before. Prices of Choice and Prime steers and heifers stand a good chance to retain their present improved position through the fall. They might increase somewhat more.

As slaughter of fed cattle decreases and drops to near last year, slaughter of grass cattle will increase and will be greater than last year. More grass cattle will be available, and somewhat fewer than last fall will likely go into feedlots. Included in slaughter will be more steers and heifers and a great many more cows than last fall. However, cow slaughter is not expected to increase enough to cause a net reduction in cow numbers on farms.

Some of the grass cattle slaughtered this fall will be animals that moved out of dry areas to northern pastures earlier in the summer.

A part of the year's slaughter of grass cattle has already taken place. Partly because of the drought, large numbers of beef calves as well as a great many yearlings were sent to slaughter during the spring and summer. This early movement will help to prevent an extremely large fall slaughter.

Total cattle slaughter--fed and grass combined--will continue large this fall but appears unlikely to show as much seasonal increase as usual or to be as far above last year as it has been in past months. The one factor that could add a seasonal increase in September to November to the present high slaughter level would be seriously poor fall pastures over wide areas. At late August pastures deteriorated in the Corn Belt, Southeast and some other places.

Prices of all the lower grades of cattle have declined more than prices of higher grades and are low in relation to them. Feeder steers, cows, and lower grades of slaughter steers are 35 to 45 percent under a year ago; Prime and Choice slaughter steers are down 22 to 25 percent. Choice feeder steers at Kansas City in 3 weeks of August were priced 22 percent below Choice slaughter steers at Chicago. In August last year they were 6 percent less, and two years ago they were 3 percent above Chicago slaughter steers (table 2). Utility slaughter cows at Chicago in August were 56 percent below Choice steers. In two previous Augusts, they were 42 to 32 percent below.

These changes in relationship between prices of cattle are characteristic of the cyclical transition from scarce to abundant supplies of cattle for slaughter. When slaughter is low and prices generally high, the lower grades are priced above an average relationship to the higher grades. When slaughter is large and prices low, the lower grades take the biggest percentage decline and fall to below an average relationship with top grades.

Low prices this fall for all cattle off grass thus are in line with this past experience. More grass cattle are being produced and marketed this year. Neither slaughterers nor feeders have been eager to buy. Slaughterers find it difficult to market large quantities of grass beef except at low prices. Many consumers prefer grain fed beef, and in addition the market for beef has come to be stratified into separate demands for various grades and kinds of products. A great many retailers in the larger cities specialize in Good or Choice grades. This division of the market for beef makes it difficult to adjust rapidly to a change in the quantity of any one kind of beef. Outlets for grass beef opened up sluggishly last fall; they are probably doing so again this fall.

Also contributing to low prices for cattle off grass is a weaker demand for feeder stock, which can be ascribed to several reasons: selling prices of fed cattle are lower; the price of feed, though below last fall, is higher relative to the price of cattle; and feeders had a very unsatisfactory feeding season this past year.

Prices of grass cattle sank in June, bounced up in July, then fell again. In late August they were nearly down to their June lows. It is possible that present prices are at a point feeders believe they can afford to buy cattle and stand a reasonable chance of making a profit. If so, the trend may be fairly level through the rest of the fall marketing season.

Prices of Feeder Cattle Low Enough to Promise Average Profits in Feeding

The main condition for earning profits in cattle feeding is that the selling price for fed cattle provide sufficient margin over the price paid for the feeder stock. Big profits or losses in feeding have usually been caused by unexpected changes in selling prices of fed cattle.

The variation in profits from feeding from year to year are illustrated in table 3. Profits were large in 1946-47 and 1947-48. The next year was a no-profit year, but 1949-50 and 1950-51 found unusually large profits made. Profits were lower in 1951-52, and this past season many feeders experienced losses.

Data in the table are arrived at by applying actual market costs and prices to the specifications of a typical Corn Belt feeding program. The program used is short feeding of yearling steers. Results are representative of general Corn Belt operations but do not necessarily fit the feeding program of any particular farm.

In the fall of a year ago, cattle feeders bought feeder steers at prices almost \$9.00 per 100 pounds below the prices of late 1951. This reduction seemed to give a good opportunity to realize profits, even if prices of feed cattle should be reduced moderately. But prices of fed cattle fell drastically, averaging \$11.00 lower this past spring than a year before. Most feeders failed to make a profit.

The decline in prices for fed steers this past year was largely the result of a sharp increase in the number of cattle slaughtered. For several years more cattle were raised than were marketed, and cattle inventories were built up rapidly to a record high. Once started, marketings expanded fast and caused severe price breaks. Poor range and pasture conditions over much of the South and West has accentuated the movement to market.

Table 2.- Prices of selected grades and classes of cattle,
August 1947 and 1951-53

Date	Slaughter steers, Chicago 1/				Slaughter cows, Chicago		Stockers and feeders, Kansas City		
	Av.						Steers		Good
	Prime	Choice	and Commer- cial	Utility	Utility	Canner and Cutter	Choice 500- 800 lb.	Medium 500- 1,000 lb.	and Choice steer calves
	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.
August 1947	31.91	28.27	21.96	16.89	13.70	11.10	22.82	17.33	20.72
1951	37.92	35.85	32.58	27.23	24.37	21.07	37.03	30.11	37.12
1952	34.46	33.02	29.11	22.32	19.03	16.25	30.92	23.68	31.05
1953 2/	26.30	25.18	19.95	13.97	11.21	9.46	19.62	13.35	19.00
Difference from price of Choice slaughter steers at Chicago									
	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.
1947	+3.64	---	-6.31	-11.38	-14.57	-17.17	-5.45	-10.94	-7.55
1951	+2.07	---	-3.27	-8.62	-11.48	-14.78	+1.18	-5.74	+27
1952	+1.44	---	-3.91	-10.70	-13.99	-16.77	-2.10	-9.34	-1.97
1953 2/	+1.13	---	-5.23	-11.21	-13.97	-15.72	-5.57	-11.63	-6.18
	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.
1947	+12.9	---	-22.3	-40.3	-5.15	-60.7	-19.3	-38.7	-26.7
1951	+5.8	---	-9.1	-24.0	-32.0	-41.2	+3.3	-16.0	+3.5
1952	+4.4	---	-11.8	-32.4	-42.4	-50.8	-6.4	-28.3	-6.0
1953 2/	+4.4	---	-20.8	-44.5	+55.5	-62.4	-22.1	-47.0	-24.5

1/ Corn Belt, sold out of first hands.

2/ For 3 weeks ended August 22.

Market prices compiled from Market News, Livestock Branch, FIA.

Table 3.- Specified average prices and costs in the feeding of steers in the Corn Belt, 1944-53

Item	Season											
	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.
Average price per 100 pounds for Choice grade beef steers sold out of first hands, Chicago, April-July	16.15	17.46	25.26	32.59	25.40	29.36	36.15	33.69	22.70			
Subsidy, per 100 pounds	.29											
Average cost of feeder steers at Kansas City per 100 pounds, August-December	11.56	12.91	16.37	21.75	25.00	20.65	27.73	31.71	22.86			
Average price per bushel of corn, North Central States, September-July	1.009	1.175	1.490	2.201	1.239	1.175	1.511	1.638	1.438			
Average price per ton received by farmers for alfalfa hay, North Central States September-July 1/	17.39	15.54	22.37	24.37	23.96	21.39	21.34	20.79	23.23			
Average wholesale price per ton for soybean meal, 41 percent protein, Chicago, September-July	52.00	58.32	76.78	94.19	74.06	75.85	75.34	88.66	83.00			
Total value												
Market value at Chicago for Choice grade beef steer, market weight 1,050 pounds	169.58	183.33	265.25	342.20	266.70	308.26	379.53	353.74	238.35			
Subsidy credit	3.04	3.99										
Market value plus subsidy	172.62	187.32	265.23	342.20	266.70	308.26	379.68	353.74	238.35			
Market cost at Kansas City of 700 pound feeder steer	80.92	90.37	114.59	152.25	175.00	144.55	194.11	211.97	160.02			
Cost of transportation from market to feeder	2.55	2.55	2.55	2.73	3.61	3.96	3.96	4.21	4.14			
Cost of 45 bushels of corn	45.40	52.88	67.05	99.04	55.76	52.88	68.00	73.71	64.71			
Cost of 0.75 tons of alfalfa hay	13.04	11.66	16.78	18.28	17.97	16.04	16.00	15.59	17.42			
Cost of 150 pounds of soybean meal	3.90	4.37	5.76	7.06	5.55	5.69	5.65	6.65	6.22			
Transportation and marketing expense	6.00	6.07	6.27	7.57	8.65	8.97	9.18	10.12	10.29			
Total of cost items shown 2/	151.81	167.90	213.00	286.93	266.54	232.09	296.90	332.26	262.80			
Margin of market value of steer over total of cost items shown 2/	20.81	19.42	52.23	55.27	0.16	76.19	82.68	21.49	-24.45			

1/ Price for loose hay through 1945-46; for baled hay 1946-47 to date. Prices for 1946-47 and 1947-48 estimated from price paid for baled alfalfa hay, United States. 2/ Does not include overhead costs, cost of pasture or other feed ingredients and death loss, or credits for manure and for hogs following steers. In some estimates, the net additional cost is assumed to be 10 percent of the feed cost. The feed ration and prices shown are designed to be fairly representative of average feeding experience in the Corn Belt, but do not necessarily coincide with the experience of individual feeders. Data for earlier years may be found in October issue each year.

Table 4.- Price of Choice grade slaughter steers at Chicago and of all stocker and feeder steers at Kansas City, and 7 months lagged margin, by months, 1945 to date

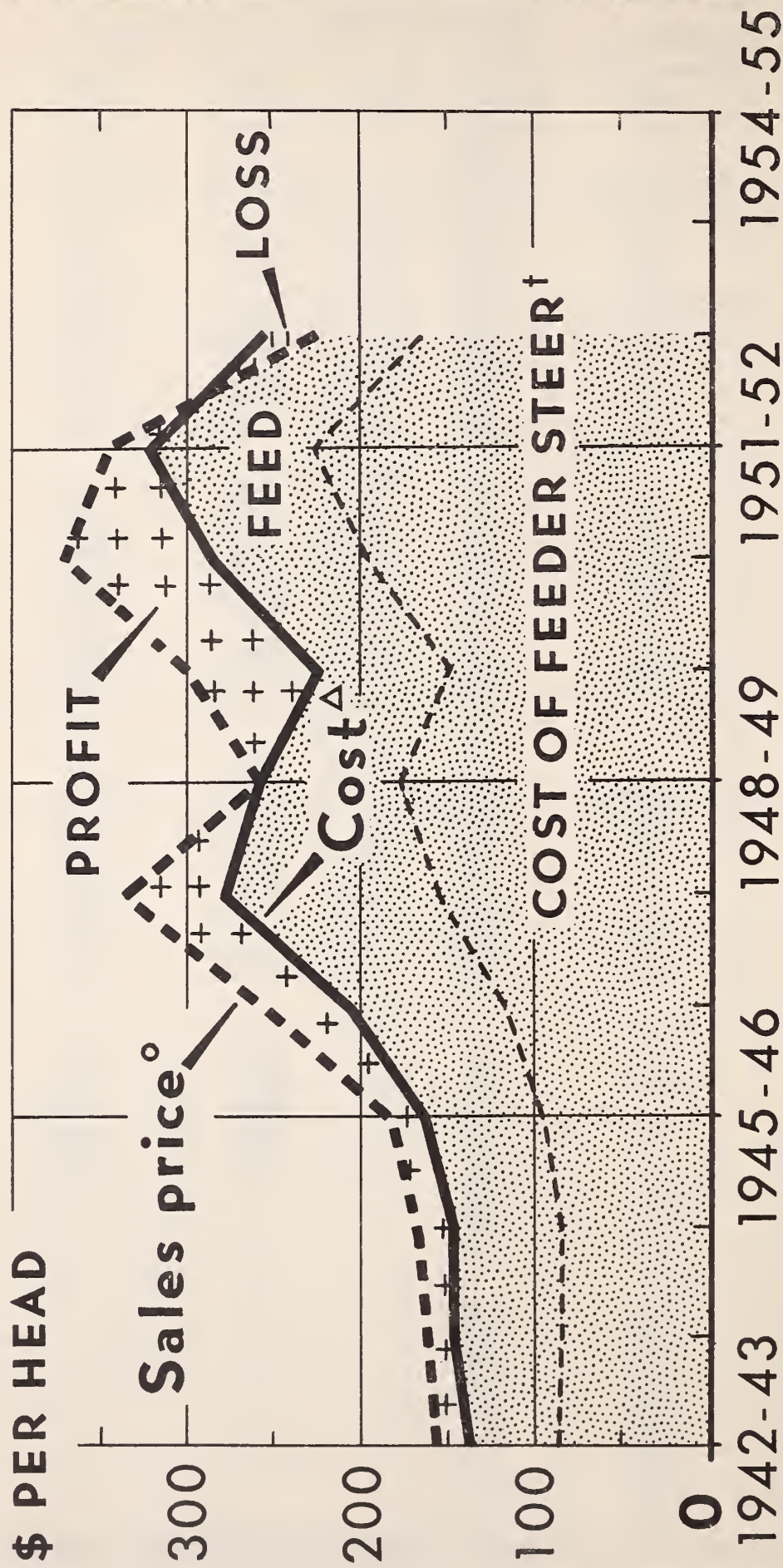
(Data for cover page)								
Year and month	Price per 100 pounds		Margin	Year and month	Price per 100 pounds		Margin	
	Choice	Stocker and	between		Choice	Stocker and	between	
	grade	feeder	slaughter		grade	feeder	slaughter	
	steers,	steers,	steers, and		steers,	steers,	steers, and	
	Chicago	Kansas City 1/	7 months previous 2/		Chicago	Kansas City 1/	7 months previous 2/	
	Dollars	Dollars	Dollars		Dollars	Dollars	Dollars	
1945				1950				
Jan.	15.55	12.40	3.70	Jan.	28.14	22.94	5.61	
Feb.	15.42	13.00	4.49	Feb.	27.19	24.13	6.57	
Mar.	15.81	13.60	4.31	Mar.	27.33	25.32	7.27	
Apr.	16.11	13.30	4.77	Apr.	27.66	25.79	7.32	
May	16.13	14.23	4.66	May	29.19	27.19	8.62	
June	16.16	13.73	4.20	June	29.99	27.44	8.54	
July	16.17	13.54	4.68	July	30.62	27.48	9.18	
Aug.	15.98	13.08	3.58	Aug.	29.97	26.90	7.03	
Sept.	16.15	12.25	3.15	Sept.	30.32	26.90	6.19	
Oct.	16.45	12.62	2.85	Oct.	30.42	26.92	5.10	
Nov.	16.56	13.19	2.66	Nov.	31.24	28.46	5.45	
Dec.	16.45	13.41	2.22	Dec.	32.98	29.45	5.79	
1946				1951				
Jan.	16.51	13.56	2.78	Jan.	34.77	31.88	7.33	
Feb.	16.36	14.71	2.82	Feb.	35.98	34.42	8.50	
Mar.	16.37	15.22	3.29	Mar.	36.67	35.12	9.77	
Apr.	16.46	15.86	4.21	Apr.	36.93	35.64	10.03	
May	16.55	15.32	3.33	May	36.52	34.29	9.60	
June	16.98	15.72	3.79	June	35.68	32.83	7.22	
July	19.36	15.53	6.45	July	35.47	31.61	6.02	
Aug.	20.73	15.51	7.17	Aug.	35.95	32.59	3.97	
Sept.	19.58	15.99	4.37	Sept.	36.68	31.90	2.26	
Oct.	24.97	16.42	9.75	Oct.	36.31	31.97	1.19	
Nov.	25.63	16.30	9.77	Nov.	36.09	31.63	0.45	
Dec.	25.28	17.63	9.46	Dec.	34.78	30.45	0.49	
1947				1952				
Jan.	23.93	17.68	8.21	Jan.	34.68	31.19	1.85	
Feb.	23.79	18.96	8.26	Feb.	34.57	32.06	2.96	
Mar.	24.05	20.13	8.54	Mar.	34.69	31.99	2.10	
Apr.	23.45	19.91	7.46	Apr.	34.76	31.32	2.86	
May	24.22	21.33	7.80	May	34.17	32.06	2.20	
June	25.72	21.11	9.42	June	32.31	27.21	1.18	
July	27.64	21.91	10.01	July	33.03	25.24	2.58	
Aug.	28.27	21.22	10.59	Aug.	33.02	25.17	1.83	
Sept.	29.43	21.65	10.47	Sept.	32.53	23.59	0.47	
Oct.	29.55	20.96	9.42	Oct.	32.55	22.76	0.56	
Nov.	29.12	21.32	9.21	Nov.	32.20	22.31	0.98	
Dec.	29.62	23.59	8.29	Dec.	30.86	20.50	-1.20	
1948				1953				
Jan.	30.36	26.31	9.25	Jan.	27.84	21.73	0.63	
Feb.	27.10	24.15	5.13	Feb.	24.49	20.91	-0.75	
Mar.	26.92	25.57	5.70	Mar.	22.68	21.19	-2.49	
Apr.	28.17	26.62	6.52	Apr.	21.99	19.91	-1.53	
May	30.91	27.80	9.95	May	22.36	19.80	-0.40	
June	34.85	26.96	13.53	June	22.04	15.22	-0.27	
July	36.44	28.25	12.85	July	24.41	16.75	3.91	
Aug.	36.02	27.40	9.71	Aug. 3/	25.18	16.08	3.45	
Sept.	34.49	25.42	10.34					
Oct.	32.24	24.11	6.67					
Nov.	30.68	24.52	4.06					
Dec.	27.82	23.26	0.22					
1949								
Jan.	24.72	22.15	-2.24					
Feb.	22.99	21.25	-5.26					
Mar.	24.19	24.37	-3.21					
Apr.	24.37	23.66	-1.05					
May	24.92	24.02	0.61					
June	26.37	22.53	1.35					
July	25.96	20.62	2.70					
Aug.	26.50	20.06	4.35					
Sept.	28.22	19.74	6.97					
Oct.	29.63	20.57	5.26					
Nov.	29.35	21.45	5.69					
Dec.	29.91	21.44	5.89					

1/ Average for all weights and grades. 2/ Margin between prices of Choice grade slaughter steers at Chicago for current month shown and of stocker and feeder steers at Kansas City 7 months previously. 3/ Average for first 3 weeks.

1937-44 data available in August 1949 issue of this publication.
Market price data compiled from Market News, Livestock Branch, FMA.

RETURNS IN STEER FEEDING

Costs and Sales Price for Yearling Steers, Corn Belt*



*SHORT-TERM FEEDING

°1,050-LB. CHOICE STEER, CHICAGO, APRIL-JULY, LESS TRANSPORTATION & MARKETING EXPENSE

ΔNO ALLOWANCE FOR MISC. COSTS OR CREDITS

†AV. FEEDER AND STOCKER STEERS, KANSAS CITY, AUG.-DEC., PLUS TRANSPORTATION

The rates of production and marketing are now about equal, and only small changes are being made in cattle inventories. The annual slaughter rate and beef output will continue large for several years, but unless a fast liquidation of cattle should be forced the beef supply will be no larger than it has been this year. Prices of cattle may therefore stabilize rather than continue downward, provided demand for meat is as strong as this year.

This seems to be the outlook: at present paying prices for feeder cattle and for feed, average profits will be earned in feeding unless there is an unexpected weakening in consumers' employment and incomes and demand for meat.

Feed to Cost More Relative to Prices of Cattle

For several years the price of cattle has been high relative to the prices of feed. Over the past year cattle prices have come down more than feed prices, and the relationship between the two is back to about average. The beef steer-corn price ratio at Chicago, for example, is running about 15 this year. In 1951 it was 19.9 (table 5.)

Table 5.- Beef steer - corn price ratio, Chicago, selected periods 1/

Period	Ratio	Period	Ratio
Average			
1925-29	13.1	1947	13.1
1930-34	15.5	1948	16.0
1935-39	14.7	1949	19.8
1940-44	15.5	1950	19.7
		1951	19.9
By years			
1945	13.9	1952	18.4
1946	12.8	1953 ^{2/}	15

1/ Average price for Corn Belt beef steers, all grades, divided by price of No. 3 Yellow corn. 2/ Partly forecast.

The higher price of feed relative to the price of cattle is having several effects. It is one cause for greater declines in prices of feeder steers than for fed steers. It results also in changing price relationships between various grades of feeders. The prices for August shown in table 2 reveal that Choice yearlings at Kansas City are prices 37 percent below August 1952, while steer calves are 39 percent lower and Medium yearlings are down by 44 percent. Inasmuch as cost of gain is now higher relative to the selling price, profits are not to be made simply by putting weight gain on any kind of animal. For this reason rough or light weight cattle are not priced so close to prices of top quality yearlings as in other years.

Another change that will result is that cattle will not be fed to as high a grade. Of Corn Belt steers received at Chicago from January to July, 65 percent were Choice or Prime. With feed costing more relative to the price of cattle, not as great a percentage will be fed to so high a grade next year.

Signs of Lack of
Confidence in Livestock
Price Outlook

Several signs reveal a lack of confidence in the price outlook for meat animals. Each by itself would not be significant, but taken together they suggest that livestock producers are apprehensive both as to the short term and long term future.

When prices of hogs climbed to their season high in late July a great many hogs weighing less than 200 pounds were rushed to market. Average weights of all barrows and gilts received at 8 markets dropped to as low as 207 pounds the week of August 8, 15 pounds lighter than in the same week of last year. This happened in spite of price discounts on light hogs and in spite of the strength shown by the hog market for 3 months or more. Usually a period of sustained high prices results in feeding to heavier weight.

Cattle feeders, who often take advantage of a stronger market to put more weight on their steers, failed to do so this summer. Fed cattle have gone to slaughter at the rate indicated by farmers' July 1 intentions, and at lighter weights than last summer.

Moreover, hog producers have not chosen to step up the number of sows to farrow, despite a favorable hog-corn price ratio. In poultry a similar policy is apparent; farmers have not raised any more chickens for laying flock this year than last despite a favorable egg-feed price ratio.

Lack of enthusiasm for feeding lambs and cattle also fits in this pattern. Even at the low prices, movement to feedlots has been sluggish.

It seems that livestock producers are in a let-down following the big demand and high prices that followed the Korean outbreak in June 1950. After World War II they took a similar course. Cattlemen especially retrenched sharply then, sometimes selling cattle to their later regret, while hog producers also stayed at a low level of output.

The sudden increase in meat supplies this year and sharp declines in cattle prices doubtless are influences. Present cattle prices are discouraging in comparison with the several boom years just past. Knowing that the nation's cattle herd is still record large, cattlemen find it hard to develop much enthusiasm.

In any period such as this it is difficult to know when a turning point has been reached. Almost always each wave, whether of optimism or of pessimism, carries higher and longer than it should. As events turned out farmers need not have retrenched the way they did after the end of World War II. Adjustments in cattle marketings and prices this year have already gone far, much farther than was expected at the beginning of the year. Perhaps they have gone far enough.

As has been explained, supplies of beef to consumers will continue large in the next year or longer but are not expected to increase much if any more. Total meat supplies for 1954 are not likely to increase and may be smaller. Demand for meat is still strong, and although the general economic outlook does not point to as high a sustained level as this year it does not indicate any serious loss in consumers' incomes or in demand for meat. On the whole, the prospects for prices of livestock do not warrant undue pessimism. If continued strong demand is granted, prices of cattle would not likely repeat this year's downtrends, and prices of hogs would again be above average.

1953 Lamb Crop
Up 7 Percent

The 1953 lamb crop is estimated at 19.7 million head, 7 percent more than last year and the largest in 6 years but still a small crop compared with those before 1948.

About 4 percent more ewes were on farms this year than last. The percentage lamb crop--number of lambs per 100 ewes--was up to a record--equaling 90 percent.

Most of the increase in the percentage lamb crop was in Texas, where the lambing rate in 1952 was especially low.

Native and Western regions had about equal increases in numbers of lambs this year, although in percentage terms the increase was greater for Native States.

More lambs raised do not portend an expansion in sheep numbers. Instead, the high slaughter rate indicates that a small reduction in sheep inventories is occurring.

Shorn Wool Production
down 1 percent

About 229 million pounds of wool has been or will be shorn this year. This is 1 percent less than last year's production. Weight per fleece is slightly higher than last year but the number of sheep shorn is 2 percent smaller.

USDA Beef Purchases
Total 67.8 Million Pounds

Through the week of August 24 the USDA had bought 67.8 million pounds of beef. Included were 60.3 million pounds bought with section 32 funds for surplus removal, to go to school lunches and other eligible outlets. Of this, 47.1 million pounds were canned beef, 12.0 million ground beef, hamburger style, and 1.2 million frozen ground, diced, and chuck beef.

Under a contract with the Foreign Operations Administration, 6.7 million pounds of frozen carcass beef and 800 thousand pounds of canned beef were procured for shipment to Greece.

394 Counties in Drought Area

Changes in the counties included in the drought disaster area bring the total number of counties to 394--164 in Texas, 35 in Oklahoma, 46 in Arkansas, 36 in Kansas, 72 in Missouri, 8 in Colorado, 26 in New Mexico, and 7 in Nevada. Originally 192 counties in Texas and Oklahoma were designated but additional counties have been brought in and a number of counties have been removed because of improved conditions.

Eligible farmers and ranchers in these counties can buy corn, wheat and cottonseed meal or pellets at reduced prices from stocks of the Commodity Credit Corporation. Also provided are livestock loans. Rail rates have been reduced for movement of livestock to grazing areas in certain States.

The Department explained that the "purpose of the drought feed program is to maintain basic foundation herds for bona fide farmers and stockmen who do not have finances to purchase feed at prevailing market prices to maintain such herds and remain in the livestock business with a reasonable chance for successful operations."

The Department, for the purpose of the current drought feed program, defined foundation herds as consisting of cows, bulls, nursing calves and heifers, and sheep and goats that are needed to replace over-age and other undesirable animals culled from herds.

It is further explained that "Under Public Law 115, emergency livestock loans will be available to established producers and feeders of cattle, sheep and goats who have a reasonable chance of working out of their difficulties but cannot obtain funds they need from private or cooperative credit sources. Loans will not be made to enable a man to go into the livestock business or to carry on commercial feed lot operations.

"The special livestock loans will be made at 5 percent interest for periods up to 3 years for the purchase of feed, seed, and other operating expenses. They can be renewed if renewal is found to be in the best interests of both the farmer and the Government. The loan funds cannot be used to refinance debts farmers already owe."

The reduced rail rate provides that the commercial freight rate will be charged for shipping cattle, calves and sheep out of the drought disaster area to a grazing destination with privileges for a return movement at no cost. The two shipments--out and back--must be over the same route and must include the same livestock. Eligible livestock producers in drought designated counties can obtain the free return on shipments to grazing areas west of the Mississippi River plus Illinois, Wisconsin, and the upper peninsula of Michigan.

Beef Promotion Campaign

Retailers and wholesalers and other meat and livestock groups, have been asked to step-up about mid-September their campaign to promote consumption of beef. They will give special emphasis to the lower priced cuts. The present program began about the middle of August and follows the lines worked out with the Department of Agriculture to assist in moving the large supplies of beef being produced and likely to continue during the height of the grass cattle marketing season this fall.

A general promotional campaign had been carried on by the Government in cooperation with industry since late winter when a big supply of beef from fed cattle began moving into consumption.

Selected Price Statistics for Meat Animals 1/

Item	Unit	Jan.-July Av.		1952 July	1953		
		1952	1953		June	July	August
Cattle and calves							
Beef steers, slaughter 2/	Dollars per:						
Chicago, Prime	100 pounds	36.29	26.06	34.55	22.84	26.21	
Choice	do.	34.10	23.69	33.03	22.04	24.41	
Good	do.	31.41	21.58	30.45	20.53	22.33	
Commercial	do.	28.48	19.10	27.51	17.67	18.44	
Utility	do.	25.69	16.44	23.53	14.56	14.47	
All grades	do.	33.27	22.96	32.53	21.73	24.26	
Omaha, all grades	do.	31.75	21.58	31.28	20.50	23.37	
Sioux City, all grades	do.	31.67	21.42	31.25	20.32	23.42	
Cows, Chicago 2/							
Commercial	do.	24.10	15.07	22.09	14.18	13.89	
Utility	do.	21.83	13.67	19.95	12.20	12.04	
Canner and Cutter	do.	18.90	11.88	16.76	9.98	10.05	
Vealers, Good and Choice, Chicago	do.	36.36	26.98	32.68	21.32	22.40	
Stocker and feeder steers, Kansas City	do.	30.15	19.95	25.24	16.79	19.75	
Price received by farmers							
Beef cattle	do.	27.07	17.77	25.60	16.00	17.30	16.30
Veal calves	do.	30.24	19.84	27.80	17.00	17.00	16.70
Hogs							
Barrows and gilts							
Chicago							
160-180 pounds	do.	18.52	21.50	21.63	23.87	24.50	
180-200 pounds	do.	19.36	22.62	22.58	25.35	26.27	
200-220 pounds	do.	19.42	22.69	22.63	25.39	26.41	
220-240 pounds	do.	19.17	22.60	22.35	25.34	26.33	
240-270 pounds	do.	18.67	22.34	21.66	24.97	25.91	
270-300 pounds	do.	18.11	25.52	20.80	24.45	25.07	
All weights	do.	18.75	22.37	21.91	25.12	26.05	
Eight markets 3/	do.	18.57	22.17	21.59	24.74	25.92	
Sows, Chicago	do.	16.26	19.43	18.13	21.03	21.37	
Price received by farmers	do.	17.96	21.14	19.70	22.70	24.20	23.60
Hog-corn price ratio 4/							
Chicago, barrows and gilts	do.	10.2	14.2	12.1	16.2	16.4	
Price received by farmers, all hogs	do.	10.6	14.1	11.4	15.5	16.5	15.9
Sheep and lambs							
Sheep							
Slaughter ewes, Good and Choice, Chicago	do.	12.58	8.04	7.87	5.72	5.75	
Price received by farmers	do.	12.47	7.87	9.79	6.48	6.26	6.39
Lambs							
Slaughter, Choice and prime, Chicago	do.	28.93	24.40	29.27	26.62	26.31	
Feeding, Good and Choice, Omaha	do.	26.37	---	---	---	---	
Price received by farmers	do.	26.36	21.16	25.60	22.00	21.90	20.10
All meat animals							
Index number price received by farmers (1910-14=100)		378	306	376	299	318	305
Meat							
Wholesale, Chicago	Dollars per:						
Steer beef carcass, Choice, 500-600 pounds 2/	100 pounds	54.71	38.99	53.60	37.15	40.18	
Lamb carcass, Choice, 30-40 pounds	do.	56.85	46.44	59.62	48.05	52.52	
Composite hog products, including lard							
72.84 pounds fresh	Dollars	20.40	23.39	22.47	25.46	26.67	
Average per 100 pounds	do.	28.00	32.11	30.85	34.95	36.61	
71.32 pounds fresh and cured	do.	23.75	26.78	25.94	28.89	30.05	
Average per 100 pounds	do.	33.30	37.55	36.37	40.51	42.13	
Index number meat prices (BLS)							
Wholesale (1947-49=100)		112.9	93.7	113.1	91.3	96.9	

1/ Annual data for most series published in Statistical Appendix to this Situation, February 1951.

2/ Grade names as used beginning January 1951.

3/ Chicago, St. Louis N. S. Y., Kansas City, Omaha, Sioux City, S. St. Joseph, S. St. Paul, and Indianapolis.

4/ Number bushels of corn equivalent in value to 100 pounds of live hogs.

5/ Index of retail meat prices, new weights.

Selected marketing, slaughter and stocks statistics for meat animals and meats ^{1/}

Item	Unit	Jan. - July		1952 July	1953		
		1952	1953		June	July	August
Meat animal marketings							
Index number (1935-39=100)		143	144	124	148	134	
Stocker and feeder shipments to							
9 Corn Belt States	:1,000						
Cattle and calves	head	1,145	1,118	192	183	211	
Sheep and lambs	do.	1,020	838	194	102	136	
Slaughter under Federal inspection							
Number slaughtered							
Cattle	do.	7,022	9,448	1,100	1,450	1,498	
Calves	do.	2,737	3,656	430	586	616	
Sheep and lambs	do.	6,718	7,844	908	1,055	1,108	
Hogs	do.	36,054	30,629	3,641	3,607	3,276	
Percentage sows	Percent	10	11	29		30	
Average live weight per head							
Cattle	Pounds	1,002	984	987	962	954	
Calves	do.	201	215	236	235	245	
Sheep and lambs	do.	100	97	90	88	90	
Hogs	do.	246	243	265	261	263	
Average production							
Beef, per head	do.	560	551	550	541	530	
Veal, per head	do.	115	121	133	133	138	
Lamb and mutton, per head	do.	48	47	43	42	43	
Pork, per head ^{2/}	do.	136	138	145	148	150	
Pork, per 100 pounds live weight ^{2/} ..	do.	55	57	55	57	57	
Lard, per head	do.	37	35	39	36	37	
Lard, per 100 pounds live weight ..	do.	15	15	15	14	14	
Total production	Million:						
Beef	pounds	3,914	5,190	602	782	793	
Veal	do.	312	441	57	78	85	
Lamb and mutton	do.	319	364	39	45	47	
Pork ^{2/}	do.	4,867	4,823	526	533	489	
Lard	do.	1,342	1,082	142	131	121	
Total commercial slaughter ^{3/}							
Number slaughtered	:1,000						
Cattle	head	9,606	12,708	1,496	1,931	2,039	
Calves	do.	4,722	6,154	718	974	1,014	
Sheep and lambs	do.	7,348	8,705	1,025	1,203	1,259	
Hogs	do.	44,817	38,401	4,657	4,451	4,110	
Total production	Million:						
Beef	pounds	5,145	6,702	786	1,001	1,036	
Veal	do.	536	744	94	129	138	
Lamb and mutton	do.	345	402	43	51	54	
Pork ^{2/}	do.	5,954	5,175	653	644	597	
Lard	do.	1,563	1,269	168	150	140	
Cold storage stocks first of month							
Beef	do.	---	---	190	195	177	151
Veal	do.	---	---	12	16	14	12
Lamb and mutton	do.	---	---	15	15	13	11
Pork	do.	---	---	685	460	414	341
Total meat and meat products ^{4/}	do.	---	---	1,029	818	749	632

^{1/} Annual data for most series published in Statistical Appendix to this Situation, February 1950.^{2/} Excludes lard.^{3/} Federally inspected, and other wholesale and retail.^{4/} Includes stocks of sausage and sausage room products, canned meats and canned meat products, and edible offals, in addition to the four meats listed.

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